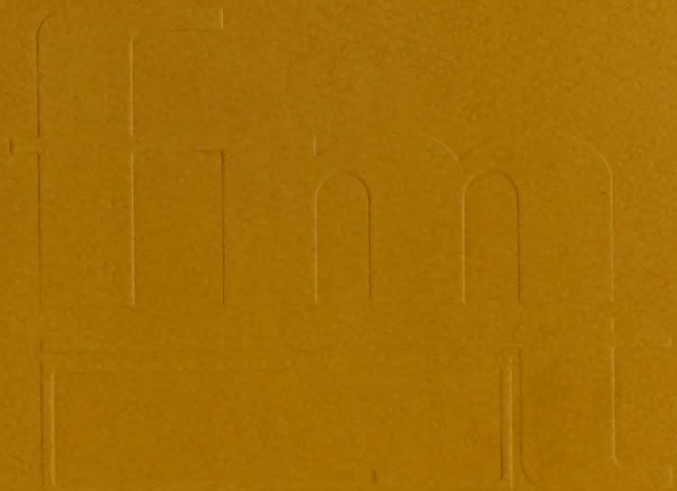


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FARMERS & MERCHANTS TRUST CO. LTD.
ANNUAL REPORT 1971



FARMERS & MERCHANTS TRUST CO. LTD.

DIRECTORS

G. E. Arnell

Barrister and Solicitor, MacLeod, Dixon, Calgary

T. L. Charne

President, St. Maurice Properties Limited, Winnipeg

L. W. DerBach

Secretary-Treasurer, Farmers & Merchants Trust Co. Ltd.

R. B. Love, Q.C.

Barrister and Solicitor, MacLeod, Dixon, Calgary

D. A. Ross, C.A.

President, Farmers & Merchants Trust Co. Ltd.

J. B. Whitely

President, St. Maurice Capital Corporation Ltd., Montreal

OFFICERS

J. B. Whitely, Chairman of the Board

D. A. Ross, C.A., President

L. W. DerBach, Secretary-Treasurer



PRESIDENT'S REPORT TO THE SHAREHOLDERS

I am happy to report that results for the year ended December 31, 1971 represent new records in both volume and profitability.

It is particularly pleasing to note, as indicated in the 5-year statistical review, that volume over this period has increased by approximately 100% while profits have increased by 400%.

While your company faces an increasing burden of income tax and constantly increasing operating costs, the outlook for 1972 appears favourable. I do not however anticipate a gain in 1972 profits comparable to that of 1971 over 1970.

On March 1, 1972 control of your company was purchased by St. Maurice Capital Corporation of Montreal, and it is my pleasure to welcome to the board of Farmers & Merchants Trust the following new directors:

Mr. J. B. Whitely, Chairman of the Board
Mr. G. Arnell
Mr. T. L. Charne
Mr. R. B. Love, Q.C.

I am very confident that your company's association with St. Maurice will prove extremely rewarding. St. Maurice brings to Farmers & Merchants a depth of financial expertise and range of experience not hitherto enjoyed by your company, and I anticipate a growth in your company's facilities and profits as these talents are reflected in operations.

I would like to express my personal thanks to members of the board of your company who have resigned during the year, for their support and encouragement during their tenure in office.

At the annual and special meeting of shareholders to be held in the near future, it is proposed to reorganize the company's capital stock so as to effect a simplification of structure and create sufficient common shares to permit a rights offering of common shares to all stockholders.

The rights issue will be underwritten by St. Maurice Capital and the increase in capital thus created will permit your company to expand its operations at an accelerated pace.

I would like to take this opportunity of expressing my sincere appreciation to all of the employees of your company whose efforts have been reflected in the company's continued expansion and growth in profitability.

DONALD A. ROSS
President

FARMERS & MERCHANTS TRUST CO. LTD.
and Subsidiary Companies

FIVE YEAR FINANCIAL HIGHLIGHTS

	December 31 1971	December 31 1970	October 31 1969	October 31 1968	October 31 1967
Deposits	\$58,784,983	\$52,639,878	\$46,708,377	\$33,241,488	\$29,866,113
Shareholders' Equity	3,070,610	2,518,435	2,235,784	1,974,967	1,716,398
Earnings before tax ...	829,802	386,104	313,736	329,007	174,432
Income taxes	228,153	85,953	45,700	53,468	7,145
Earnings for the year...	601,649	300,151	268,036	275,539	167,287
Earnings per share ...	72¢	35¢	31¢	32¢	19¢



FARMERS & MERCHANTS
CONSOLIDATED BALANCE SHEET
CAPITAL AND GUARANTY FUND

ASSETS

	December 31 1971	December 31 1970
Cash and bank deposit receipts	\$ 2,437,593	\$ 3,627,943
Investment in marketable securities, at cost (Note 2):		
Government bonds	12,197,426	7,842,842
Municipal bonds	1,096,665	1,427,892
Corporate bonds	7,939,393	6,056,915
Stocks	1,816,367	3,418,903
	23,049,851	18,746,552
Mortgages, agreements and secured loans	36,960,657	34,867,937
Accounts receivable and prepaid expenses	221,153	116,334
Properties held for sale	461,333	933,420
Rental properties (Note 3)	1,049,362	—
Land, buildings and leasehold improvements, at cost less accumulated depreciation of - 1971 - \$175,401; 1970 - \$132,480	347,587	381,827

APPROVED ON BEHALF OF THE BOARD:

..... Director

..... Director

\$64,527,536

\$58,674,013

TRUST CO. LTD. and Subsidiary Companies
SHEET
ED TRUST ACCOUNTS

LIABILITIES

	December 31 1971	December 31 1970
Guaranteed trust accounts:		
Savings deposits	\$10,377,527	\$ 7,512,355
Guaranteed savings certificates	48,407,456	45,127,523
	58,784,983	52,639,878
Accounts payable and accrued liabilities:		
Brokers	304,289	1,003,441
Trade and others	151,380	336,452
Income taxes payable	179,502	26,860
Mortgages payable	169,511	29,045
Subordinated convertible note payable - 7½ % (Note 4)	—	203,748
Deferred income	1,717,261	1,766,154
Mortgage reserve	150,000	150,000
Shareholders' ownership:		
Capital stock -		
Authorized -		
100,000 7% cumulative preference shares of a par value of \$10 each		
1,000,000 common shares of a par value of \$1 each		
Issued -		
25,000 preference shares	250,000	250,000
804,763 common shares	804,763	804,763
Reserve fund	1,000,000	800,000
Surplus	1,015,847	663,672
	3,070,610	2,518,435
	<u>\$64,527,536</u>	<u>\$58,674,013</u>

FARMERS & MERCHANTS TRUST CO. LTD. **and Subsidiary Companies**

CONSOLIDATED STATEMENT OF INCOME AND SURPLUS

	Year ended December 31 1971	Fourteen months ended December 31 1970
Profit before the following	\$4,866,561	\$4,560,343
Interest on deposits	4,036,759	4,174,239
Income before income taxes and extraordinary item	829,802	386,104
Income taxes	307,075	85,953
Income before extraordinary item	522,727	300,151
Extraordinary item:		
Recovery of income taxes (Note 5)	78,922	—
Income for the period	601,649	300,151
Surplus at beginning of period	663,672	531,021
	<u>1,265,321</u>	<u>831,172</u>
Less:		
Transferred to reserve fund	200,000	150,000
Dividends on preference shares	17,500	17,500
Excess cost of shares of subsidiary over net book value of assets (Note 4)	31,974	—
Surplus at end of period	<u>\$1,015,847</u>	<u>\$ 663,672</u>

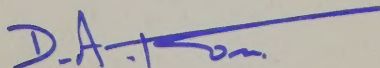
CONSOLIDATED STATEMENT OF RESERVE FUND

	Year ended December 31 1971	Fourteen months ended December 31 1970
Balance at beginning of period	\$ 800,000	\$ 650,000
Transfer from surplus	200,000	150,000
Balance at end of period	<u>\$1,000,000</u>	<u>\$ 800,000</u>

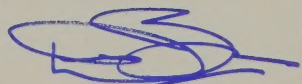
CERTIFICATE

(Under the Trust Companies Act, 1967, Sec. 91 (3))

We certify that the financial statements of Farmers & Merchants Trust Co. Ltd. are to the best of our knowledge and belief correct and show truly and clearly the financial condition of the company's affairs.



D. A. Ross,
President and General Manager



L. W. DerBach,
Secretary-Treasurer

AUDITORS' REPORT

To the Shareholders of
Farmers & Merchants Trust Co. Ltd.

Calgary, Alberta
February 18, 1972

We have examined the consolidated balance sheet of Farmers & Merchants Trust Co. Ltd. and subsidiary companies as at December 31, 1971 and the consolidated statements of income and surplus and reserve fund for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, including verification of cash, bank balances and securities of the companies. All our requirements as auditors have been complied with.

After due consideration we have formed an independent opinion of the position of the companies as at December 31, 1971 and, subject to the realization of the cost values of the investments in marketable securities referred to in Note 2, we report that in our opinion and according to the best of our information and the explanations given to us the accompanying consolidated balance sheet and consolidated statements of income and surplus and reserve fund present fairly the financial position of the companies as at December 31, 1971 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

We report that the financial statements are in agreement with the books of the companies and that all transactions of the Company that have come within our notice have in our opinion been within the powers of the Company.

PRICE WATERHOUSE & CO.
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 1971

1. The subsidiary companies, Trans-Canada Savings and Trust Corporation, Town & Country Apts. Ltd., Farmers & Merchants Trust Company (Nassau Office) Limited, Greenwood Properties (1970) Ltd., Famtco Holdings Ltd. and D & B Noteholders Properties Ltd. are wholly-owned.
2. No provision has been made for the decline in the market value of marketable securities below cost because, in the opinion of management, such decline does not represent a permanent diminution in value.

Statutory values are determined in accordance with 1970 amendments to regulations authorized by the Alberta Trust Companies Act 1967.

The statutory and market values are:

	1971 Statutory value	1971 Market value	1970 Statutory value	1970 Market value
Government bonds	\$12,197,426	\$12,076,549	\$ 7,849,740	\$ 7,247,846
Municipal bonds	1,096,665	1,034,884	1,427,892	1,280,591
Corporate bonds	7,862,046	7,932,018	6,006,503	5,699,843
Stocks	1,512,715	1,512,715	2,677,767	2,677,767
	<u>\$22,668,852</u>	<u>\$22,556,166</u>	<u>\$17,961,902</u>	<u>\$16,906,047</u>

3. The rental properties were acquired December 30, 1971 and therefore depreciation has not been provided.
4. During the year the Company paid the balance outstanding on the 7½% subordinated convertible note which was part of the consideration for the purchase of all the outstanding shares of Trans-Canada Savings and Trust Corporation. The note and cost of shares were reduced in accordance with the terms of the agreement. The final settlement of the note resulted in the shares having a cost of \$31,974 in excess of the net book value of assets of Trans-Canada. This excess has been written off to surplus.
5. For income tax purposes the Company has included in taxable income certain amounts carried as deferred income for accounting purposes. As these amounts are transferred from deferred income to current income, no further income taxes are payable on them. As a result of this procedure income taxes otherwise payable were reduced by \$78,922 in 1971. A balance of \$672,081, which has been included in taxable income, remains in deferred income at December 31, 1971.

HEAD OFFICE

209 - 8 Avenue S.W., Calgary, Alberta.

HEAD OFFICE MANAGEMENT

A. G. Ducie, Comptroller
L. E. Burton, Coordinator of Agency Services
O. J. Dizop, Mortgage Administrator
N. K. Enns, Computer Analyst
L. R. Lunn, Portfolio Manager
Wm. E. Tanner, Real Estate Development

INVESTMENT COMMITTEE

D. A. Ross, C.A., Calgary
R. B. Love, Q.C., Calgary
L. W. DerBach, Calgary
L. R. Lunn, Calgary

BRANCH MANAGEMENT

L. L. Davidson, Lethbridge, Alberta
W. D. Floen, A.A.C.I., Calgary, Alberta
W. Miller, Edmonton, Alberta
B. B. Stone, Medicine Hat, Alberta
E. J. Timmermann, Grande Prairie, Alberta
J. R. Unsworth, Red Deer, Alberta
A. L. Flemmer, Vancouver, British Columbia
F. D. Saragea, Montreal, Quebec
P. Hurtubise, Nassau, Bahamas

FARMERS & MERCHANTS TRUST CO. LTD.

